

Respectfully submitted,

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(Footnote continued)

at paras. 110-16. If Commission "intervention" is needed in individual cases, it should be requested through the complaint process, not in the midst of rulemaking of general applicability.

## **APPENDIX A**

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SUBJECT: TRUCKERS BANK ON MARKET CLOUT TO AVOID FCC SURCHARGE ON 800-NUMBER CALLS

SOURCE: Traffic World DATE: January 20, 1998

INDEX: [1]

ORDER NO: -----

Traffic World via Knight-Ridder/Tribune : By John D. Schulz, Traffic World Knight Ridder/Tribune Business News

Jan. 19--Trucking interests are testing the long-distance waters, a sign they are shifting away from their lobbying efforts and toward a market-based solution to the fast-developing toll-free phone crisis.

Trucking companies, stung by sharply higher long-distance bills as a result of a new 28.4-cent surcharge for every call received from drivers using toll-free 800- numbers, are hoping to reach out and touch someone wanting to take their business -- preferably, on the cheap.

Truckers are hoping their sizable market clout in long-distance charges -- perhaps as many as 3 million long-distance truckers call their dispatchers

at least once a day -- will buy them deep discounts if they deal directly with long-distance carriers. Trucking interests are negotiating with all long-distance carriers -- major and minor -- in hopes of getting around the 28.4-cent tab. That charge could mean as much as \$2 million a year in extra costs for a large truckload carrier such as J.B. Hunt -- or \$700 million in the aggregate for the industry.

"This is a serious issue for us," said Daniel E. England, chief executive officer of C.R. England, Salt Lake City, the nation's third-largest refrigerated hauler. "On an industry basis, this could mean one-half of 1 percent of profits go away."

In C.R. England's case, the phone surcharges are costing approximately \$40,000 in extra phone costs -- \$480,000 annually for the \$310 million-a-year carrier. Privately held C.R. England does not disclose profits.

Even more alarming is how unaware most trucking executives are of this pending long-distance time bomb. The new surcharge began only late last year and the bill hasn't really hit home -- yet.

"The vast majority of trucking company owners don't understand it," said England, president of the Truckload Carriers Association. "We're used to watching the DOT, OSHA (Occupational Safety and Health Administration), maybe the Labor Department for rulings. The Federal Communications Commission all of a sudden slipped this in the back door on us."

Last Oct. 7, in a little-noticed move that was part of the fallout from the Telecommunications Act of 1996, the FCC issued an order requiring pay-phone service providers to be compensated by long-distance carriers at the 28.4-cent rate for each 800-number dialed to a stationary location. The result has been a cash drain on trucking companies, which have seen 800-number costs rise by as much as 150 percent, according to a TCA survey of its members.

There appears to be nothing magical about the 28.4-cent figure. It is the figure the FCC decided upon as the "market-based" rate, which truckers believe far exceeds the actual costs of such services.

They will soon find out if it does. This week truckers explore a market-driven solution to the problem, sending out requests for proposals to long-distance carriers in hopes of cutting a better deal.

Several long-distance companies announced 6 percent to 7 percent rate increases on charges for toll-free services in the middle of last year to cover the new compensation to pay-phone providers. In addition, these same carriers have chosen to impose charges of 28.4 cents per call -- or more, in some cases.

"While we believe pay-phone operators should be compensated fairly for use of their phones, our information indicates that the FCC compensation rate (28.4 cents) overstates the costs," said Lana R. Batts, TCA president.

Some long-distance carriers may "have taken advantage of the situation to double and even triple dip" to recoup the payments they are making to pay-phone providers, Batts said.

The truckers' efforts are "wholeheartedly" supported by NATSO, the trade association for truck stop operators. Trucking interests are in a coalition including the Air Transport Association, American Airlines, Transportation Intermediaries Association and AAA that has petitioned the FCC to seek a reduction in the 28.4-cent charge.

They may be whistling in the dark. With telecommunications deregulated, the truckers' efforts to move toward a market-based solution is a signal trucking interests may believe a legislative or regulatory answer may not be forthcoming.

Truckers are hoping to leverage their market clout and hot competition in the long-distance market to obtain a "preferred provider" able to offer such services way below the imposed rate.

"We command great market strength," England said. "We can designate a preferred provider. We hope competitive forces can improve our situation. We think some of the new (telecommunications) players will be aggressive. There's a whole different landscape. People have to know there are alternatives. The mentality of some of the older long-distance providers is still anchored in a previous age."

This much is known about truckers and the long-distance phone market:

There are more than 14,000 pay phones at NATSO-member truck stops nationally.

These phones have the second-highest average usage of all pay phones (following airport pay phones).

Only 7 percent of pay phones in truck stops are owned by truck stop operators; the majority are owned by Baby Bell companies or independent pay-phone providers.

The typical pay phone costs between \$2,000 and \$3,000 for purchase and

installation. Most pay phones at truck stops are "princess" phones found at restaurant tables, costing about \$150 plus associated costs.

In a survey, 20 percent of TCA members generated more than 9 million 800-number calls per month at two and a half minutes per call.

That TCA survey indicated that actual costs for those 800-numbers ranged from 5 cents to 18 cents -- well below the 28.4 cents mandated by the FCC -- and the rates are dropping with competition. "Those rates are falling like rocks," England said. "We command so much market share. We hope to benefit from this competition."

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## **APPENDIX B**



## News Release

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FOR RELEASE WEDNESDAY, APRIL 30, 1997

### AT&T adjusts business long-distance prices to offset new payphone costs

BASKING RIDGE, N.J. -- AT&T said today it would adjust prices May 1 on a range of business long-distance services to offset payments to payphone owners required under a plan established by the Federal Communications Commission.

The FCC plan requires long-distance carriers to compensate payphone owners for coinless calls - typically calling card and toll-free calls. Effective April 15, AT&T expects local telephone companies to begin billing it and other long-distance companies for the 1.8 million payphones the local companies operate. AT&T's share of the new costs is \$26.21 per phone per month.

To recover this cost, AT&T will increase prices for interstate toll-free services by 7 percent and prices for business international and interstate outbound services by 2 percent.

"While payphone owners should be fairly compensated for the cost of providing coinless calls, we believe the compensation levels set by the FCC are unreasonably high - which is why we're challenging them in court," said Ken Sichau, AT&T vice president for business network services. AT&T pledged to roll back the price increases if the company succeeds in efforts to reduce the level of payments to payphone owners.

AT&T, other long-distance carriers and state regulators have appealed the FCC order. The case is scheduled to be heard in mid-May by the Court of Appeals in Washington, D.C.

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[Click here](#) to learn more about the services AT&T offers for businesses.

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KEYWORDS: coinless, toll-free, calling\_card, fcc



## News Release

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FOR RELEASE FRIDAY, MAY 30, 1997

### AT&T adjusts consumer prices to offset new payphone costs

BASKING RIDGE, N.J. -- To offset payments to payphone owners required under a plan established by the Federal Communications Commission, AT&T said today it would adjust prices effective June 1 on certain calls placed from payphones.

The FCC plan requires long-distance carriers to compensate qualifying public payphone owners for coinless calls including calling card, collect, credit card and operator-handled calls. AT&T's current share of the cost is \$26.21 per public payphone per month.

To recover the portion of this cost associated with consumer services, AT&T will add a 35-cent charge to coinless calls completed from a payphone. Funds generated on the coinless payphone calls will be used to comply with the FCC order.

"Clearly, AT&T does not intend to profit at all from this action. We are simply passing on the charges being levied by the FCC," said George Burnett, AT&T vice president - Consumer Markets Division. "AT&T is working diligently through the courts to reduce the current amount of compensation. If we are successful, we fully intend to roll back this price increase."

Earlier this year, AT&T adjusted rates to recover costs for payphone compensation associated with its business services. Today's announcement reflects the company's action to recover most of its costs on affected consumer services.

AT&T, along with other long-distance carriers and state regulators, appealed the FCC order. AT&T pledged to roll back the price increases including adjustments to business rates if the company succeeds in efforts to reduce the level of payment to payphone owners. The case is being decided by the Court of Appeals in Washington, D.C.

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### CERTIFICATE OF SERVICE

I hereby certify that on January 20, 1998, I caused a copy of the foregoing American Public Communications Council's Reply to Oppositions and Comments of IXC's, 800 Number Subscribers and Paging Service Providers to be sent by first class mail, postage pre-paid, or by hand delivery (\*), to the following:

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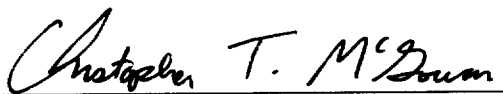
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